PRESCRIBING THE GUIDELINES FOR THE IMPLEMENTATION OF TAX EXEMPTION PRIVILEGES UNDER THE LOCAL GOVERNMENT CODE OF 1991

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WHEREAS, under Section 192 of Republic Act No. 7160, otherwise known as the Local Government Code of 1991, local government units may, through ordinances duly approved, grant tax exemptions, incentives or reliefs under such terms and conditions as they may deem necessary;

WHEREAS, pursuant to Section 156 of the Code, cities and municipalities may levy and collect a community tax, in lieu of the former residence tax, which has now been transformed from a national tax to a local tax;

WHEREAS, Section 529 of the same Code further provides that all existing tax ordinances or revenue measures of local government units shall continue to be in force and effect after the effectivity of RA 7160 unless amended by the sanggunian concerned, or inconsistent with, or in violation of, the provisions of the Code;

WHEREAS, there exists the need to adopt guidelines for the observance of local government units concerned with the implementation of the aforecited provisions of the Code;

IN VIEW THEREOF, the following guidelines are hereby prescribed:

SECTION 1. The sangguniang bayan/panlungsod/panlalawigan may grant tax exemptions, tax incentives or tax reliefs but such grant shall not, however, apply to regulatory fees which are levied under the police power of LGUs. Tax exemptions shall be conferred through the issuance of a tax exemption certificate, which shall be non-transferable. In this regard, the sanggunian concerned may be guided by the following:

a. Tax exemption or tax relief may be granted in cases of natural calamities, civil disturbances, general failure of crops, or adverse economic conditions such as substantial decrease in the prices or agricultural or agri-based products;

b. The grant of exemption or relief shall be through an ordinance;

c. Any exemption or relief granted to a type or kind of business shall apply to all business similarly situated; and

d. Any exemption or relief granted shall take effect only during the next calendar year for a period not exceeding twelve (12) months as may be provided in the ordinance. In case of shared revenues, the exemption or relief shall only extend to the LGU granting such exemption or relief.

SECTION 2. The community tax shall be paid in the place of residence of the individual, or in the place where the principal office of the juridical entity is located and, upon payment thereof, the corresponding community tax certificate shall accordingly be issued.

Exemption from the payment of the community tax may also be granted by the sangguniang bayan or sangguniang panglungsod thru a duly approved municipal or city ordinance, subject to the guidelines prescribed in the immediately preceding section.

SECTION 3. Existing tax ordinances or revenue measures of local government units which are inconsistent with, or in violation of, the provisions of the Local Government Code of 1991 shall cease to have force and effect.

SECTION 4. This Memorandum Circular shall take effect immediately.

Adopted: 4 June 1992

(SGD.) CORAZON C. AQUINO
President

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